

# **PROPOSITION 53**

SUBJECT TO COURT  
ORDERED CHANGES

~~PROPOSITION 55~~

~~Date: July 25, 2003~~

~~Funds Dedicated for State and Local Infrastructure.~~

~~Legislative Constitutional Amendment.~~

~~Resolution Chapter 185, Statutes of 2002 (ACA 11).~~

~~Sponsors: Assembly Members Keith Richmond~~  
~~and Joseph Cacerianilla~~

OFFICIAL TITLE AND SUMMARY  
PREPARED BY THE ATTORNEY GENERAL

## BALLOT TITLE AND SUMMARY

### FUNDS DEDICATED FOR STATE AND LOCAL INFRASTRUCTURE. LEGISLATIVE CONSTITUTIONAL AMENDMENT.

- Requires specified percentages of General Fund revenues to be set-aside for acquisition, construction, rehabilitation, modernization, or renovation of infrastructure.
- Expenditures must be divided equally between state projects and local projects, other than school and community college district projects, including local street, transportation, water, park, and open space projects.
- Proposition 98 school funding guarantee is unchanged.
- Amount of first set-aside scheduled for 2006-07 is 1%; they increase 0.3% annually to 3% and then remain fixed. Set-asides are subject to increase, decrease, or suspension with revenue increases and decreases.

### Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Requires dedication of state General Fund revenues for state and local "pay-as-you-go" infrastructure projects. Potential transfers of roughly \$850 million in 2006-07, growing to several billions of dollars in future years. (Actual annual transfers could be less—or even zero—in some years due to various adjustments and triggers in the measure.)

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**Proposition 53****California Twenty-First Century Infrastructure Investment Fund  
Resolution Chapter 185, Statutes of 2002 (ACA 11, Richman)****Background**

The state has hundreds of billions of dollars invested in infrastructure. Figure 1 shows the major areas of state-owned infrastructure, which includes highways, universities, parks, office buildings, and prisons. In addition, the state provides funds for local infrastructure in the areas of K-12 schools, community colleges, local streets and roads, local parks, wastewater treatment, flood control, and jails.

<b>Figure 1 Major State Infrastructure</b>	
<b>Program Area</b>	<b>Major State Infrastructure</b>
<b>Water Resources</b>	<ul style="list-style-type: none"> <li>• 32 lakes and reservoirs.</li> <li>• 17 pumping plants.</li> <li>• 3 pumping-generating plants.</li> <li>• 5 hydro-electric power plants.</li> <li>• 660 miles of canals and pipelines.</li> <li>• 1,595 miles of levees and 55 flood control structures in the Central Valley.</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• 50,000 lane miles of highways.</li> <li>• 9 toll bridges.</li> <li>• 11 million square feet of Department of Transportation offices and shops.</li> <li>• 209 Department of Motor Vehicles offices.</li> <li>• 138 California Highway Patrol offices.</li> </ul>
<b>Higher Education</b>	<ul style="list-style-type: none"> <li>• 192 primary and satellite campuses of higher education, including 10,000 buildings containing 138 million square feet of facilities space.</li> </ul>
<b>Natural Resources</b>	<ul style="list-style-type: none"> <li>• 266 park units containing 1.4 million acres and 3,000 miles of trails.</li> <li>• 238 forest fire stations and 13 air attack bases.</li> <li>• 21 agricultural inspection stations.</li> </ul>
<b>Criminal Justice</b>	<ul style="list-style-type: none"> <li>• 33 prisons and 38 correctional conservation camps.</li> <li>• 11 youthful offender institutions.</li> <li>• 12 crime laboratories.</li> </ul>
<b>Health Services</b>	<ul style="list-style-type: none"> <li>• 4 mental health hospitals comprising over 4 million square feet of facilities and 2,300 acres.</li> <li>• 5 developmental centers comprising over 5 million square feet of facilities and over 2,000 acres.</li> <li>• 2 public health laboratory facilities.</li> </ul>
<b>General state office space</b>	<ul style="list-style-type: none"> <li>• 8.5 million square feet of state-owned office space.</li> <li>• 16.6 million square feet of leased office space.</li> </ul>

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The state needs to renovate and replace existing facilities in order that they can continue to serve their intended purposes. In addition, as the state's population continues to increase, the need for investment in new capital facilities will also grow. Over the next five years, California has an estimated \$54 billion in identified state infrastructure needs.

**Funding for State Infrastructure.** Traditionally, the state has funded its infrastructure projects in the following ways:

**Dedicated Revenues.** Some programs have dedicated revenues that must be used for specific purposes. Transportation-related infrastructure (highways and mass transportation) is currently the only major state infrastructure program that is funded by dedicated revenue sources (such as state gasoline taxes and federal funds). Over the past five years, the state has spent approximately \$2.3 billion annually on transportation-related projects.

- **Bond Financing.** Other than transportation, most other state program areas have relied on long-term infrastructure financing through the sale of general obligation bonds and lease-revenue bonds. (The debt service on both types of bonds is typically paid from the state General Fund.) In recent years, the state has issued large amounts of bonds for K-12 schools, higher education, and protection of natural resources. Those capital programs funded through general obligation bonds must wait for a bond authorization to be placed on a ballot and approved by the voters. Those capital programs that use lease-revenue bonds require legislative approval of the bonds in legislation. The state has spent approximately \$4.2 billion annually in bond proceeds over the past five years.

**Direct General Fund Appropriations.** Some infrastructure programs use direct appropriations, also called "pay-as-you-go" financing, from the General Fund. However, these appropriations can vary significantly from year-to-year. For example, in the early 1990s there were no General Fund appropriations for infrastructure due to state budget difficulties. Over the past five years, the state has spent approximately \$275 million annually using direct General Fund appropriations.

## Proposal

This measure would increase the amount of General Fund revenue committed to pay-as-you-go capital outlay projects for both state and local governments. Figure 2 summarizes the basic provisions of the proposition.

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<b>Figure 2</b> <b>Basic Provisions of Proposition 53</b>	
<b>Purpose</b>	
<ul style="list-style-type: none"> <li>Establishes the California Twenty-First Century Infrastructure Investment Fund (Infrastructure Fund).</li> <li>Commits a percentage of the General Fund for "pay-as-you-go" infrastructure projects.</li> </ul>	
<b>Scheduled Transfers to the Infrastructure Fund</b>	
<ul style="list-style-type: none"> <li>Transfers 1 percent of General Fund revenue to the Infrastructure Fund beginning with the 2006-07 fiscal year.</li> <li>Gradually increases the amount of General Fund committed to the Infrastructure Fund.</li> <li>Delays scheduled increases when General Fund revenue growth slows.</li> <li>Accelerates scheduled increases by one year when General Fund revenues increase significantly.</li> <li>Caps annual General Fund transfers to the Infrastructure Fund at 3 percent of General Fund revenues.</li> </ul>	
<b>General Fund Revenue Triggers</b>	
<ul style="list-style-type: none"> <li>Some trigger mechanisms reduce transfers to the Infrastructure Fund during periods when estimates of General Fund revenue growth decline.</li> <li>Other trigger mechanisms eliminate transfers to the Infrastructure Fund when General Fund revenues decline.</li> </ul>	
<b>Special Adjustments</b>	
<ul style="list-style-type: none"> <li>School Funding—Reduces transfer amount when the percentage growth in the Proposition 98 guarantee exceeds the percentage growth in General Fund revenues.</li> <li>Bond Debt Service—Caps the Infrastructure Fund transfer to the difference between 7.5 percent and the percentage of General Fund revenue devoted to prior-year debt payments for infrastructure-related bonds.</li> </ul>	

**Scheduled Transfers.** Beginning with the 2006-07 fiscal year, this measure would transfer 1 percent of General Fund revenue to the newly established California Twenty-First Century Infrastructure Investment Fund (Infrastructure Fund). The amount of the transfer would increase by 0.3 percent annually under specified conditions until reaching a maximum of 3 percent of General Fund revenues in 2013-14 (see Figure 3). The initial 2006-07 transfer and any incremental increases in subsequent years would only take place if General Fund revenues grew by at least 4 percent (after adjusting for inflation) when compared to the previous year. (Thus, assuming an inflation rate of 3 percent, it would take revenue growth of 7 percent to trigger these increases.) Transfer rates would remain the same in those years that the revenue growth target is not met. On the other hand, the scheduled transfers would be accelerated by a year when

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General Fund revenues increased by 8 percent or more (after adjusting for inflation) when compared to the previous year.

<b>Figure 3</b> <b>Proposition 53</b> <b>Scheduled Transfers to the</b> <b>Infrastructure Fund<sup>a</sup></b>	
<b>Fiscal Year</b>	<b>Percentage of General Fund</b>
2006-07	1.0%
2007-08	1.3
2008-09	1.6
2009-10	1.9
2010-11	2.2
2011-12	2.5
2012-13	2.8
2013-14 and thereafter	3.0 (maximum rate)
<sup>a</sup> Transfers would depend on meeting specified conditions (see text).	

The measure requires the Legislature to allocate annually the moneys in the Infrastructure Fund for capital outlay purposes—50 percent for state-owned infrastructure and 50 percent for local government infrastructure. The measure requires the Legislature, in subsequent legislation, to set forth the approach and method to be used in the annual allocation of the Infrastructure Fund for local government infrastructure projects. The local funds could go for any capital outlay purpose except for K-12 school and community college projects, which presumably would continue to receive funding from state bond measures.

**Revenue Triggers.** Proposition 53 contains a variety of adjustments or “triggers” that would reduce or eliminate the transfer to the Infrastructure Fund when General Fund revenue performance is poor or less than estimated.

- **Year-to-Year Changes.** When revenues are estimated to decline from the prior year, there would be no General Fund transfer into the Infrastructure Fund. (In addition, the subsequent-year transfer would be reduced by half.)
- **Revenue Declines Within the Year.** When estimates of General Fund revenue for a given year decline significantly from earlier estimates, the scheduled annual transfer amount would be reduced (by either one-half or one-quarter, as specified).

**Special Adjustments.** The measure also contains the following special adjustments that could serve to limit the amount of an otherwise scheduled transfer to the Infrastructure Fund:

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**Debt Service.** This measure contains a special adjustment to cap the Infrastructure Fund transfer to the difference between 7.5 percent and the percentage of General Fund revenue devoted to prior-year debt payments on state bonds (known as the debt service ratio). For instance, if the state's debt service ratio were 6 percent, the Infrastructure Fund transfer would be capped at 1.5 percent (7.5 percent less 6 percent)—even if the transfer schedule called for a higher percentage.

**Proposition 98.** The measure would reduce the transfer amount when the percentage growth in the K-14 public school funding guarantee (known as the Proposition 98 guarantee) exceeds the percentage growth in General Fund revenues. This adjustment would only occur when none of the other triggered reductions or adjustments are in effect that year. Proposition 53 would not directly affect the amount required to be spent under Proposition 98.

### **Fiscal Effects**

Proposition 53 would dedicate a specified amount of the state's General Fund to pay-as-you-go capital outlay projects. Since the measure does not change the overall level of General Fund revenues, the dedication of some resources for pay-as-you-go infrastructure would result in a commensurate reduction in resources for all other purposes. The amounts of future transfers to the Infrastructure Fund are difficult to estimate, as they would depend on a variety of fiscal and economic variables. If, however, the scheduled transfers shown in Figure 3 occurred, we estimate they would start at roughly \$850 million in 2006-07 and grow to several billions of dollars in future years.

Given the various adjustments and triggers in the measure, it is likely that the actual transfer amounts would be considerably less than the scheduled transfers in many years. For instance, if past General Fund revenue trends generally held true for the future, it could take roughly twice the time for the transfers to reach the scheduled 3 percent maximum rate. In addition, there would be some years in which no transfer was made to the Infrastructure Fund and some years in which only a partial transfer was made.

Still, our review suggests that there would be transfers in most years. As described earlier, half of the transfer amount would be dedicated for state infrastructure projects and the other half for local projects.

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~~Balot Argument~~

~~Yes on Proposition 53 – 7.31.a~~

~~191 words~~

Our economy, our security and our well-being in California have all been hurt by budget politics and the Legislature's inaction on critical infrastructure needs.

Proposition 53 does the job the Legislature has failed to do – *without raising taxes!* While the Legislature has built the state bureaucracy, they also have short-changed the things we count on most in our daily lives.

*Our roads and highways, once the pride of the nation, have become faltering drains on the state's economy. Many of our cities rely on drinking water systems built in the 1920s and 1930s. Our beaches are fouled by sewage leaking from disintegrating facilities, some nearly a century old.*

Poor budget decisions have brought us to a crisis. If we let our infrastructure continue to crumble, we'll keep losing jobs and businesses. Our most essential services will be threatened, *because lost jobs mean less support for roads, schools and public safety.*

Now, it's up to voters to protect those basic needs. Proposition 53 offers a common sense pay-as-you-go approach that will *require* the Legislature and the governor to meet their obligations to provide for important projects such as:

- State university and college classrooms.
- Roads, bridges and highways.
- Water pipelines, pumping plants and delivery systems.

Public hospitals and health facilities.

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- Senior centers and community centers.  
Sewage treatment plants.  
Highway Patrol offices, police and fire stations.
- State and community parks
- Flood control

According to the state's independent budget analyst:

*"The state faces a significant challenge in addressing both the deficiencies of an aging public infrastructure and the need for new infrastructure to sustain a growing economy and population. To effectively meet this challenge, the state needs a well-defined process for planning, budgeting and financing necessary infrastructure improvements.*

*"Given [the state's] financing situation, there is really no stable funding source year-in and year-out for most state infrastructure projects."*

Proposition 53 provides that stability. It will assure that your EXISTING tax dollars go where they are most needed, while *fully protecting our commitment to schools* and minimizing impacts on other important state programs.

Proposition 53 tells the Legislature you want them to deal with your roads, your water supply, your colleges and universities and your parks. It will require the Legislature to direct up to 3 percent of the budget to meet our most critical infrastructure needs. It will let *local leaders*, not state bureaucrats, decide how the money is spent in our communities for the most urgently needed improvements. And it will require the Legislature to pay attention once again to *the crumbling infrastructure that is undermining our state's economy and our quality of life.*

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*For more information on Proposition 53, the California's Future Initiative, go to [www.yeson53.org](http://www.yeson53.org). Find out how you can stop the Legislature's shell game.*

Don't let the Golden State become the Olden State. Tell the Legislature to stop depending upon 50 year-old infrastructure to support a 21st century California. Vote YES on California's future. Vote YES on Proposition 53.

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# Yes on California's Future, Yes on Proposition 53

July 31, 2003

Ms. Joanna Southard  
Program Manager  
Ballot Pamphlet and Initiatives

Dear Ms. Southard,

Please list the signers of the Proposition 53 ballot argument submitted this date as follows:

Jon Coupal  
President  
Howard Jarvis Taxpayers Association

~~Allan~~  
Alan Zaremberg  
President  
California Chamber of Commerce

Glen Craig  
Retired California Highway Patrol Commissioner

Thank you in advance for your help in this matter. If you have any questions, please contact me at 916-444-5701.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Pellissier", with a long horizontal flourish extending to the right.

Dan Pellissier  
Campaign Manager

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**VOTE NO on PROP 53****PROPOSITION 53**

At a time when the state faces huge budget deficits, Prop 53 locks billions of dollars of new spending increases for public works into the state constitution with no accountability.

Proposition 53 supporters say this won't raise taxes. But, they know that the way it is written, the state has to increase spending on public works even if there is a deficit and no additional money is available. So, that will mean either new taxes or huge cuts in education, health care and other important public works projects.

It's true that public works projects are needed. So why does Proposition 53 specifically say no money can be spent on building or modernizing public schools, community colleges and other vital projects?

**VOTE NO on Prop 53**

Proposition 53 has no accountability requirements. Taxpayers will have no idea how this money is actually spent.

Prop 53 will take away funding from our kid's classrooms and force more cuts in education.

Join me and send a message to the Legislature - stop voting for big spending increases like

Proposition 53, get us out of this deficit, and balance the budget. **VOTE NO on Proposition 53!**

Jack O'Connell

State Superintendent of Public Instruction

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## **Argument Against Proposition 53**

**Did you ever wonder why California has such large state budget deficits?**

Look no farther than Proposition 53. It's a perfect example of how budget deficits occur.

Proposition 53 creates a multi-billion dollar BLANK CHECK for political pork at a time when California is cutting funds for our schools, cutting health care programs, raising college tuition fees and cutting public safety programs.

Proposition 53 creates a new multi-billion dollar spending program from *existing state revenues* - the same limited revenues that pay for our schools, our community colleges, universities, health care, public safety and other important services.

**Vote NO On Proposition 53 - Not one dime of Proposition 53's billions of dollars will go to our public schools and community colleges.**

Education should be California's top priority, but instead of ensuring that our schools are prepared for the 21<sup>st</sup> Century, Proposition 53 actually prohibits money from being used to build or renovate our schools and community colleges.

**Vote No On Proposition 53 - It gives politicians another blank check.**

Proposition 53 says the Department of Finance must prepare an annual plan to spend the money, but there is no requirement that the Legislature obey the plan.

Instead Proposition 53 gives the Legislature total control of how the money is actually spent - WITH NO OVERSIGHT. This means more pork spending at taxpayer expense. California should get its fiscal house in order before they go on another spending spree.

**Vote No On Proposition 53 - It requires no accountability.**

Proposition 53 contains no details on how the Legislature will actually spend the money and requires no annual independent audit, no reports and no guarantees that our tax dollars are not wasted. The politicians who spend the money are not required to report to the taxpayers how the billions of dollars Proposition 53 allocates are actually spent.

**Proposition 53 locks its spending increases into our Constitution.**

Billions of dollars will be taken from existing revenues each year and spent on this new spending program - forever. No matter how poorly the money is spent, no matter if our overcrowded classrooms need added resources, the only way Proposition 53 can be changed is by asking voters to adopt another constitutional amendment. By creating this new spending guarantee in our Constitution, Proposition 53 will make California's broken budget process even more unmanageable.

**Why is Proposition 53 on the ballot?**

If you knew the state had a big deficit and the budget was out of balance, would you vote for a bill to increase future state spending by billions of dollars? You probably wouldn't. But the Legislature did just that when it put Proposition 53 on the ballot. Why? Because

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ARGUMENT AGAINST PROPOSITION **53**

the Legislature had to pass Proposition 53 and give out pork projects in order to get the two-thirds vote needed to end a 77-day budget stalemate.

Send a message. Vote NO on Proposition 53 - tell the Legislature to start acting responsibly.

William Powers  
Legislative Director  
Congress of California Seniors

Lenny Goldberg  
Executive Director  
California Tax Reform Association

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## REBUTTAL TO ARGUMENT AGAINST

~~Rebuttal Ballot Argument~~

~~Yes on Proposition 53 - 8.07a.poduf~~

~~242 words~~

PROPOSITION **53**

It's too bad opponents of Proposition 53 have stooped to misleading scare tactics rather than discuss the importance of investing in California's future.

*The opponents of Proposition 53 favor tax increases. The Republican Party supports Proposition 53 because it DOES NOT RAISE TAXES. It invests existing tax dollars in infrastructure critical to saving jobs, saving lives and saving tax dollars.*

Education leaders support Proposition 53 because its Section 6 prohibits the diversion of even one dime from local schools and it provides badly needed funds for higher education. Proposition 53 will require less spending on state bureaucrats. *California already has too many bureaucrats.* The Legislature has added more than 42,000 public employees to the payroll in the last 5 years - at an annual cost of \$4 Billion!!

Without Proposition 53's fiscally responsible restrictions, the Legislature has neglected the public university classrooms and laboratories, public hospitals, roadways and bridges, water supply and sewage treatment plants, parks, flood control, law enforcement and emergency response facilities essential to our prosperity, safety and quality of life.

With Proposition 53, the Legislature must dedicate up to 3 percent of the budget for our most critical infrastructure needs while protecting vital services. It's a pay-as-you-go approach that will save taxpayers hundreds of millions of dollars in interest.

California is crumbling. Our streets and highways are gridlocked. Pollution threatens our water supply. Our public universities are overcrowded and deteriorating. Proposition 53 will get California back on track.

Vote YES on California's future. Vote YES on Proposition 53.

Caprice Young  
Past President  
Los Angeles Unified School District Board of Education

Dr. Peter Mehas  
Superintendent  
Fresno County Office of Education

Jon Coupal  
President  
Howard Jarvis Taxpayers Association

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TO OSP 7/14/03 jms

ACA 1

OK  
JD

11 85 2  
This amendment proposed by Assembly Constitutional Amendment 4 of the 2001-2002 Regular Session (Resolution Chapter 87, Statutes of 2001) expressly amends the California Constitution by adding an article thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED ADDITION OF ARTICLE XIX B

XVI A

~~ARTICLE XIX B~~

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**Assembly Constitutional Amendment No. 11**

**RESOLUTION CHAPTER 185**

**Assembly Constitutional Amendment No. 11**—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Article XVI A thereto, relating to infrastructure finance

[Filed with Secretary of State September 18, 2002.]

**LEGISLATIVE COUNSEL'S DIGEST**

**ACA 11, Richman. Infrastructure: finance.**

Existing law, commencing on January 10, 2002, requires the Governor to submit to the Legislature a proposed 5-year infrastructure plan. The plan is required to be submitted annually, in conjunction with the Governor's Budget, and to cover a 5-fiscal year period, beginning with the fiscal year that is the same as that covered by the Governor's Budget with which the plan is submitted.

This measure would establish the California Twenty-First Century Infrastructure Investment Fund in the State Treasury. Beginning in the 2006-07 fiscal year, the measure would cause a specified percentage of revenues to be transferred from the General Fund to the infrastructure fund 4 times during the fiscal year. The measure would increase the percentage of revenues to be transferred each year, subject to the rate of increase of total General Fund revenues compared to the prior fiscal year as estimated by the Department of Finance. The measure would require the Department of Finance to prepare an annual plan to expend these funds, unless the Governor directs another state agency to carry out this responsibility.

This measure would require that the funds in the infrastructure fund be allocated by the Legislature for capital outlay purposes, of which 50% would be for acquisition, construction, rehabilitation, modernization, or renovation of state-owned infrastructure and 50% would be for acquisition, construction, rehabilitation, modernization, or renovation of local government infrastructure, excluding school districts and community college districts.

**WHEREAS**, An investment in California's infrastructure is an investment in California's future because the quality of life in California depends on the quality of our children's education and on the condition of the state's transportation network, water system, parks, natural resources, and other infrastructure; and

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WHEREAS, California's infrastructure is critically under-funded; and

WHEREAS, California has often used bonds to pay for infrastructure investments, but bonds alone cannot address the magnitude of California's infrastructure investment deficit; and

WHEREAS, According to the Legislative Analyst's 1998 report, Overhauling the State's Infrastructure Planning and Financing Process, the state needs to take two main steps to provide a more stable funding source for our infrastructure needs: dedicate a given level of General Fund resources for infrastructure, and reserve a proportion of the General Fund for current year capital outlay; and

WHEREAS, In the 1960s, when California created the nation's finest education and transportation systems, the state routinely committed 7 to 10 times more of the General Fund to capital outlay than today; and

WHEREAS, Establishing a California Twenty-First Century Infrastructure Investment Fund and slowly increasing the amount of the General Fund committed to capital outlay is an appropriate method of assuring continual capital outlay to address infrastructure needs; and

WHEREAS, By limiting the annual growth of the infrastructure fund to a small percentage of annual General Fund growth, Article XVI A will protect education, child care, and other necessary services during periods of economic recession; and

WHEREAS, The purpose of subdivision (b) of Section 2 of Article XVI A is to ensure that funding for infrastructure projects is not at the expense of funding of other vital programs and to protect existing vital programs in the event of an economic recession; now, therefore, be it

*Resolved by the Assembly, the Senate concurring,* That the Legislature of the State of California at its 2001-02 Regular Session commencing on the fourth day of December 2000, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California that the Constitution of the State be amended by adding Article XVI A thereto, to read:

#### ARTICLE XVI A

#### INFRASTRUCTURE INVESTMENT FUND

SECTION 1. The California Twenty-First Century Infrastructure Investment Fund is hereby established in the State Treasury for the purpose of funding capital outlay expenses. The Department of Finance shall prepare an annual plan to expend these funds, unless the Governor directs another state agency to prepare the plan.

SEC. 2. As used in this article:

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(a) "Department of Finance" means the Department of Finance or a successor agency.

(b) "General Fund revenues" excludes transfers from other funds into the General Fund and transfers from the General Fund into other funds.

(c) "Infrastructure fund" means the California Twenty-First Century Infrastructure Investment Fund.

(d) "Made for purposes of the current fiscal year Budget Act as determined by the Department of Finance" means General Fund revenues contained in the Final Budget Summary published by the Department of Finance for the current fiscal year.

SEC. 3. (a) Commencing in the 2006-07 fiscal year, and in every fiscal year thereafter, the Controller shall make the following transfers from the General Fund to the infrastructure fund:

(1) During the 2006-07 fiscal year, a sum equal to 1 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(2) During the 2007-08 fiscal year, a sum equal to 1.3 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(3) During the 2008-09 fiscal year, a sum equal to 1.6 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(4) During the 2009-10 fiscal year, a sum equal to 1.9 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(5) During the 2010-11 fiscal year, a sum equal to 2.2 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(6) During the 2011-12 fiscal year, a sum equal to 2.5 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(7) During the 2012-13 fiscal year, a sum equal to 2.8 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for that fiscal year.

(8) During the 2013-14 fiscal year, and every fiscal year thereafter, a sum equal to 3 percent of the total amount of General Fund revenues as estimated by the Department of Finance for purposes of the Budget Act for the applicable fiscal year.

(b) Notwithstanding subdivision (a), if the total General Fund revenues for a fiscal year are estimated by the Department of Finance to not increase by at least 4 percent, after adjusting for inflation, compared to the revenues for the prior fiscal year, the increase in the percentage

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amount to be transferred in the budget year, as otherwise specified in paragraphs (2) to (8), inclusive, of subdivision (a) shall be delayed by one fiscal year.

(c) Notwithstanding subdivision (a), if the total General Fund revenues for a fiscal year are estimated by the Department of Finance to increase by at least 8 percent, after adjusting for inflation, compared to the revenues for the prior fiscal year, the increase in the percentage amount to be transferred in the budget year, as otherwise specified in paragraphs (2) to (8), inclusive, of subdivision (a) shall be accelerated by one fiscal year from the schedule in subdivision (a).

(d) Notwithstanding paragraph (1) of subdivision (a), the initial annual transfer to the infrastructure fund shall not occur until General Fund revenues for a fiscal year are estimated by the Department of Finance to increase by at least 4 percent, after adjusting for inflation, compared to the revenues for the prior fiscal year.

(e) Notwithstanding subdivision (a), in a fiscal year in which both of the conditions specified in subparagraphs (A) and (B) of paragraph (1) apply, the transfer pursuant to this section shall be reduced by an amount determined pursuant to paragraph (2):

(1) (A) The percentage growth in the amount required to be applied for the support of school districts and community college districts pursuant to Section 8 of Article XVI is greater than the percentage growth in General Fund revenues.

(B) The transfer specified pursuant to this section is not otherwise reduced pursuant to subdivision (b) or (f) or pursuant to subdivision (b) or (c) of Section 4.

(2) (A) Determine the amount required to be applied for the support of school districts and community college districts pursuant to Section 8 of Article XVI for the current fiscal year based on the estimate contained in the Governor's May Revision proposal for that fiscal year.

(B) Determine an amount equal to the amount required to be applied for the support of school districts and community college districts pursuant to Section 8 of Article XVI for the prior fiscal year multiplied by the percentage growth in General Fund revenues from the prior to the current fiscal year based on the estimate contained in the Governor's May Revision proposal for the current fiscal year.

(C) Subtract the amount determined pursuant to subparagraph (B) from the amount determined pursuant to subparagraph (A) and multiply that difference by 0.5.

(f) Notwithstanding subdivision (a), the percentage of General Fund revenues transferred to the infrastructure fund in any fiscal year may not exceed the difference between 7.5 percent of estimated General Fund revenues for that fiscal year less the percentage of General Fund

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revenues for the prior fiscal year that were used to make debt payments in the prior fiscal year on general obligation bonds of the State and lease-revenue bonds issued by the State Public Works Board.

(g) The annual amount transferred to the infrastructure fund, as required pursuant to subdivision (a), shall be reduced by an amount equal to the sales tax revenue in each fiscal year that is redirected to the Traffic Congestion Relief and Safe School Bus Trust Fund pursuant to Proposition 51 if that measure was approved by the voters in November 2002.

SEC. 4. (a) The annual transfer from the General Fund to the infrastructure fund, as provided for by this article, shall be made over four time periods in the fiscal year as follows:

(1) The first transfer shall be made on August 1, or 30 days after enactment of the budget, whichever is later, and shall be in the amount of 25 percent of the total transfer for the fiscal year based on revenue assumptions made for purposes of the Budget Act, as determined by the Department of Finance.

(2) The second transfer shall be made on November 1, and shall be in the same amount as the first transfer.

(3) The third transfer shall be made on February 1, and the amount shall be the difference between 75 percent of the total required transfer for the current fiscal year, based on the adjusted revenue estimate for the current fiscal year according to the Governor's Budget proposal for the following fiscal year, and the total amount of the first and second transfers.

(4) The fourth transfer shall be made on May 31, and the amount shall be based on the difference between the total required transfer for the current fiscal year based on the adjusted revenue estimate for the current fiscal year according to the Governor's May Revision proposal for the following fiscal year and the total amount previously transferred.

(b) (1) If the updated revenue estimate for the current fiscal year, as contained in the Governor's Budget proposal for the next fiscal year, is more than 5 percent below the revenue assumptions made for purposes of the current fiscal year Budget Act as determined by the Department of Finance, the February 1 transfer shall be suspended until no sooner than May 31.

(2) If the updated revenue estimate for the current fiscal year, as contained in the Governor's May Revision proposal for the next fiscal year, is more than 5 percent below the revenue assumptions made for purposes of the current fiscal year Budget Act as determined by the Department of Finance, the February 1 transfer and the May 31 transfer shall be suspended for that fiscal year. If the February 1 transfer had already been made because revenue estimates at that time did not show

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a 5 percent or greater decline, that amount shall be credited toward the transfer for the next fiscal year.

(3) If the revenue estimate for the current fiscal year, as contained in the Governor's May Revision proposal for the next fiscal year, is between 2 percent and 5 percent below the revenue assumptions made for purposes of the current fiscal year Budget Act, as determined by the Department of Finance, the total transfer for that fiscal year shall be only 75 percent of what it would otherwise be if revenues had not declined from the original estimate.

(4) If the revenue estimate for the current fiscal year, as contained in the Governor's May Revision proposal for the next fiscal year, is between zero and 2 percent below the revenue assumptions made for purposes of the current fiscal year Budget Act as determined by the Department of Finance, the total transfer amount for that fiscal year shall be 100 percent of that required under Section 3, and the fourth transfer on May 31 shall include the balance needed to fulfill the transfer requirement.

(c) If there is a year-to-year revenue decline on the basis that revenues in a fiscal year, as estimated either for purposes of the Budget Act at the beginning of the fiscal year, the following January in the Governor's Budget, or the following May in the Governor's May Revision, are estimated to be either less than the actual revenues in the prior fiscal year or more than 4 percent below actual revenues in the prior fiscal year after adjusting for inflation, both of the following shall occur:

(1) The transfer shall be suspended for that year. If the year-to-year decline in revenues is based on January or May revenue estimates, any transfers already made in August, November, and February of that fiscal year shall be credited toward transfer requirements for the following fiscal year. However, if the transfer is suspended in any fiscal year, the transfer in the following fiscal year shall be only one-half of the amount otherwise required based on the percentages specified in Section 3. That transfer requirement shall include amounts credited from transfers made in the prior fiscal year pursuant to this paragraph prior to any suspension occurring.

(2) Any unencumbered funds in the infrastructure fund that are allocated only to the State, and are subject to appropriation, may be loaned interest-free to the General Fund, either in the fiscal year that the transfer is suspended or in the following fiscal year, provided that these loans do not result in the delay of any previously funded projects.

SEC. 5. The funds transferred to the infrastructure fund in each fiscal year shall be allocated by the Legislature in the following fiscal year for capital outlay purposes, as follows:

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(a) Fifty percent for acquisition, construction, rehabilitation, modernization, or renovation of infrastructure that is owned, or is to be acquired by, the State.

(b) Fifty percent for acquisition, construction, rehabilitation, modernization, or renovation of infrastructure, including, but not limited to, streets, roads, highways, transportation, water, parks, and open space, that is owned, or is to be acquired by, local governments, including cities, counties, a city and county, and special districts, but not school districts or community college districts. The Legislature shall provide by law a method for the annual allocation of these funds to local governments for their use on projects that meet the requirements of this section.

SEC. 6. Neither transfers to, nor allocations from, the infrastructure fund shall in any manner affect the calculations otherwise made pursuant to Section 8 or Section 8.5 of Article XVI.

SEC. 7. For purposes of this article, appropriations from the infrastructure fund pursuant to this article constitute appropriations for qualified capital outlay projects for purposes of Section 9 of Article XIII B.

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